Agenda

• Industry Landscape
• Business Model
• Outlook
• Valuation
• Q & A
Industry Landscape

**Industry drivers**
- Consumer spending
- Disposable personal income
- Consumer confidence

**Industry measures**
- Same-store sales
- Sales per square foot
- Gross profit margin
- Operating profit margin

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**U.S. Spending – Clothing and Accessory Stores**
Industry Landscape

Luxury Goods: Poised for Growth

- Acceleration of global consumer spending
- Success of financial markets
- Favorable exchange rates
- Tax cuts
- Pick up on international travel flows

More industry trends

- Department stores leverage labels and brands
- Consumer-centered retailing

Handbag Pricing Distribution

<table>
<thead>
<tr>
<th>$50</th>
<th>$200</th>
<th>$500</th>
<th>$1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKNY</td>
<td>COACH</td>
<td>Salvatore Ferragamo</td>
<td>LOUIS VUITTON</td>
</tr>
<tr>
<td>kate spade</td>
<td>COLE HAAN</td>
<td>BANANA REPUBLIC</td>
<td>HERMES</td>
</tr>
</tbody>
</table>

COACH
Business Model: Mission

Coach is a designer, producer and marketer of high-quality, modern American classic accessories.

Keys to Success
- Distinctive Products
- Leadership Position
- Loyal Customers
- Well-balanced
- Innovative

Business Model: History

Company History

1941: Founded as a family owned leather working shop
1985: Acquired by Sara Lee
2000: Sold to the public
2001: Coach Japan formed through joint venture of Coach and Sumitomo Corp.
Business Model: Products

Handbags: Account for 57% of Sales

Business Model: Products

Women’s Accessories: Account for 36% of Sales
**Business Model: Products**

**Men’s Accessories: Account for 8% of Sales**

- Direct Channels – 65%
- Indirect Channels – 35%
  - U.S. Retail Stores – 32%
  - Factory Stores – 24%
  - E-Commerce – 6%
  - Direct Mail – 3%
  - Coach Japan – 18%
  - U.S. Wholesale – 11%
  - International Wholesale – 6%

**Business Model: Distribution Channels**

**A Two-pronged System**

- Direct Channels – 65%
- Indirect Channels – 35%
  - U.S. Retail Stores – 32%
  - Factory Stores – 24%
  - E-Commerce – 6%
  - Direct Mail – 3%
  - Coach Japan – 18%
  - U.S. Wholesale – 11%
  - International Wholesale – 6%
Operating Margins

Margins are among the best in the industry

EBIT Margins top Industry

COACH
Business Model: Store Assumptions

New Store Economic Model

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Investment</td>
<td>$500,000</td>
</tr>
<tr>
<td>First Year Sales</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Average Store Size</td>
<td>2,400</td>
</tr>
<tr>
<td>Sales per Square Foot</td>
<td>500</td>
</tr>
<tr>
<td>Return</td>
<td>$480,000</td>
</tr>
<tr>
<td>First Year ROI</td>
<td>87%</td>
</tr>
<tr>
<td>Payback Period</td>
<td>1.2 years</td>
</tr>
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</table>

Japanese Growth

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004E</th>
<th>2005E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total C/JI Sales</td>
<td>40.9</td>
<td>95.7</td>
<td>177.8</td>
<td>240.1</td>
<td>312.1</td>
</tr>
<tr>
<td>% Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total Company Sales</td>
<td>7%</td>
<td>13%</td>
<td>19%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Total Locations</td>
<td>76</td>
<td>83</td>
<td>93</td>
<td>103</td>
<td>113</td>
</tr>
<tr>
<td>% Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Square Footage</td>
<td>63,371</td>
<td>76,975</td>
<td>102,242</td>
<td>132,915</td>
<td>166,143</td>
</tr>
<tr>
<td>% Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales per Square Foot</td>
<td>645</td>
<td>1,243</td>
<td>1,739</td>
<td>1,808</td>
<td>1,878</td>
</tr>
</tbody>
</table>
Outlook

Looking Forward
- Growth of Retail Stores in U.S.
- Further international expansion
- Scale back men’s product line in favor of footwear

Risks
- Coach will likely be unable to further improve upon its current operating margins
- Movement into non-core merchandise could dilute brand cache

Price Appreciation
Valuation: Multiples What?

<table>
<thead>
<tr>
<th>Company</th>
<th>Equity</th>
<th>Debt</th>
<th>EV - Cash</th>
<th>EBITDA</th>
<th>EBIT</th>
<th>EV/EBITDA</th>
<th>EV/EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gucci</td>
<td>8,586,130</td>
<td>1,832,945</td>
<td>7,484,497</td>
<td>305,859</td>
<td>63,384</td>
<td>24.47</td>
<td>11.68</td>
</tr>
<tr>
<td>Wilson the Leather Experts</td>
<td>60,698</td>
<td>55,895</td>
<td>55,951</td>
<td>2,730</td>
<td>13,603</td>
<td>31.48</td>
<td>(6.32)</td>
</tr>
<tr>
<td>Jones Apparel Group, Inc</td>
<td>4,754,024</td>
<td>1,214,800</td>
<td>5,085,324</td>
<td>691,700</td>
<td>590,000</td>
<td>8.22</td>
<td>9.63</td>
</tr>
<tr>
<td>Kenneth Cole Productions, Inc</td>
<td>674,716</td>
<td>-</td>
<td>583,167</td>
<td>23,770</td>
<td>16,463</td>
<td>24.53</td>
<td>35.42</td>
</tr>
<tr>
<td>Liz Claiborne Inc</td>
<td>4,038,753</td>
<td>399,714</td>
<td>4,142,335</td>
<td>493,413</td>
<td>497,018</td>
<td>8.44</td>
<td>10.48</td>
</tr>
<tr>
<td>Polo Ralph Lauren</td>
<td>3,360,010</td>
<td>349,437</td>
<td>3,385,441</td>
<td>381,505</td>
<td>302,660</td>
<td>8.92</td>
<td>11.11</td>
</tr>
<tr>
<td>Timberland Co.</td>
<td>2,152,599</td>
<td>-</td>
<td>2,011,404</td>
<td>161,328</td>
<td>138,825</td>
<td>12.47</td>
<td>14.49</td>
</tr>
<tr>
<td>Tommy Hilfiger</td>
<td>1,404,821</td>
<td>521,526</td>
<td>1,566,517</td>
<td>284,195</td>
<td>196,251</td>
<td>5.51</td>
<td>7.98</td>
</tr>
<tr>
<td>VF Corp</td>
<td>4,876,838</td>
<td>683,883</td>
<td>5,544,454</td>
<td>709,287</td>
<td>589,613</td>
<td>7.11</td>
<td>8.41</td>
</tr>
</tbody>
</table>

Coach, Inc                    | 7,487,313| 30,086   | 7,457,227 | 273,993 | 249,762 | 27        | 31      |

Mean                          | 15       | 14       |
Median                        | 9        | 10       |
Std Dev.                      | 10       | 10       |

Relative Value (Mean)         | 21       | 18       |
Relative Value (Median)       | 13       | 13       |

Intrinsic Valuation

- **Risk Premium**: 5.51%
- **Beta (3 year weekly)**: 1.31
- **10 Year Bond**: 4.1%
- **Cost of Equity**: 11.7%
- **Hyper Growth Rate**: 32%
- **Stable Growth Rate**: 3.5%
- **Percent Overvalued**: 45%
Questions?